



## **USPS records \$354 million loss in first quarter**

### **Reduced costs, package growth can't offset First-Class Mail decline**

**WASHINGTON** — The U.S. Postal Service ended the first quarter of its 2014 fiscal year (Oct. 1, 2013 – Dec. 31, 2013) with a net loss of \$354 million. This marks the 19th of the last 21 quarters that it has sustained a loss. Though the Postal Service has been able to grow revenue by capitalizing on opportunities in Shipping and Package Services and has aggressively reduced operating costs, losses continue to mount due to the persistent decline of higher-margin First-Class Mail, stifling legal mandates, and its inflexible business and governance models.

“The Postal Service is doing its part within the bounds of law to right size the organization, and I am very proud of the achievements we have made to reduce costs while significantly growing our package business,” said Postmaster General and CEO Patrick Donahoe. “We cannot return the organization to long-term financial stability without passage of comprehensive postal reform legislation. We appreciate the efforts of the House and Senate oversight committees to make this happen as soon as possible.”

Without legislative change, the Postal Service will be forced to default on another required \$5.7 billion retiree health benefits prefunding payment due by Sept. 30, 2014, because it will have insufficient cash and no ability to borrow additional funds at that date.

The Postal Service will continue to have a low level of liquidity through October 2014. In the event that circumstances leave the Postal Service with insufficient cash, the Postal Service would be required to implement contingency plans to ensure that all mail deliveries continue. These measures could require the Postal Service to prioritize payments to its employees and suppliers ahead of some payments to the federal government, as has been done in the past.

Citing that the Postal Service could not wait for legislation indefinitely, the Postal Service's Board of Governors directed management in 2013 to accelerate alignment of its operations to further reduce costs and strengthen its finances. The Postal Service leveraged employee attrition and increased use of non-career employees — as provided by new labor agreements — which allowed for better alignment of staffing and workload levels, resulting in reduced labor costs.

“We grew revenue by over \$300 million through aggressive marketing and improving service, and we reduced operating costs by \$574 million in Quarter 1, partially due to the separation of approximately 22,800 employees in 2013 under a Voluntary Early Retirement

program and improved efficiency in our workforce,” said Chief Financial Officer and Executive Vice President Joseph Corbett.

#### **First Quarter Results of Operations Compared to Same Period Last Year**

- Total mail volume of 42.0 billion pieces compared to 43.5 billion pieces
- First-Class Mail volume declined 4.6 percent.
- Standard Mail volume declined by 2.8 percent.
- Shipping and Package volume increased 10.3 percent.
- Operating revenue of \$18.0 billion, an increase of \$334 million or 1.9 percent
- Operating expenses of \$18.3 billion compared to \$18.9 billion, a decrease of 3.0 percent

Revenue from First-Class Mail, the Postal Service’s most profitable service category, decreased \$209 million, or 2.8 percent from the same period last year, with a volume decrease of 817 million pieces, or 4.6 percent. The most significant factors contributing to this decline were the ongoing trends in the mailing behavior of consumers and businesses emanating from the recent recession, and the continuing migration toward electronic communication and transactional alternatives.

The Postal Service’s shipping business continues to show solid growth. Shipping and Package revenue increased \$479 million or 14.1 percent over 2013 first quarter results, fueled by the growth of online shopping, Sunday deliveries in limited U.S. markets and the ongoing success of Postal Service campaigns to promote the value of Postal Service shipping services. The Postal Service continues to capitalize on its competitive advantage in providing “last mile” service, resulting in a 34.3 percent increase in revenue from Parcel Return and Parcel Select Service over the same period last year.

Complete financial results are available in the Form 10-Q, available at <http://about.usps.com/who-we-are/financials/welcome.htm>

*Please visit us on the USPS [Industry Outreach](#) website.  
Thank you for your support of the United States Postal Service.  
--Consumer and Industry Affairs*

*To subscribe or unsubscribe to Industry Alerts, please [click here](#) and send us your request.*